

South Carolina Retirement SYSTEMS UPDATE



Vol. 21, No. 1-R22

RETIREE ISSUE

MARCH 2000

Join the ranks and get your money worry-free

Worried your retirement check might get lost in the mail or stolen while you're out of town? What if you're sick when it arrives and unable to take it to the bank? **Then sign up now for direct deposit!**

Direct deposit is the fastest, safest way to get your money. Your retirement check will be deposited into your account automatically on the last business day of every month—ready and available to you. We will notify you before direct deposit begins with a printed message that will appear on your last benefit check stub.



More than 65 percent of your fellow retirees have already chosen direct deposit. Why not join them

Continued on page 4

Inside this issue:

From the Director	p. 1
Sign up for direct deposit	p. 1
New Social Security rates	p. 2
Social Security raising age for full benefits	p. 2
Help find former members	p. 3
Investment Panel update	p. 3
Direct deposit request form	p. 4

From the Director

Guaranteed COLAs important step

Taking steps to guarantee the cost-of-living adjustments (COLAs) for South Carolina Retirement System (SCRS) retirees is the most important initiative in this year's legislative agenda. The COLA is a critical feature of the retirement benefit—protecting the purchasing power of the retirement benefit over the lifetime of the member and the member's beneficiary.

But the effort involves more than a benefit increase—it represents a **system reform**. All relevant measures of the soundness and stability of the retirement system are based on the calculation of system **liabilities**, the state's financial commitment owed to current and future retirees.

Our commitment to pay the COLA is not included in the official statement of liabilities. Accountants and actuaries have national standards that exclude conditional (or ad hoc) benefits from the liability calculation. Excluding the COLA from liabilities is formally "accurate" from an accounting standpoint, but it ignores a real economic liability. The guaranteed COLA would be appropriately represented in our accounting statements and fairly describe the reality of the COLA commitment.

Financing any benefit increase out of system liabilities without acknowledgment of the COLA liability is wrong. It is like borrowing money to buy a car and failing to disclose the mortgage on your home.

Until the COLA is guaranteed, we must evaluate all proposed benefit changes in light of the impact on the COLA liability. For example, reducing the service time required for retirement (say, to 28 years from 30 years), does not substantially exacerbate the problem. Members will be eligible for the COLA sooner, but there is no dramatic increase in the numbers of COLA recipients or the amount of the monthly benefit used to calculate the COLA.

Increasing the retirement annuity formula multiplier severely compounds the problem. An increase of the SCRS multiplier to 1.95 from 1.82 increases every member's annuity by more than 7 percent. Thus, the base upon which the COLA is granted increases by more than 7 percent, as does the liability represented by our commitment to pay the annual COLA to every member for his or her lifetime, and the lifetime of the member's beneficiary.

The SCRS offers public employees an adequate retirement benefit—a lifetime annuity well in excess of 50 percent of final salary. Sustaining this system for future generations is our most important goal.

Bob Toomey

Social Security changes ...

New rates for 2000

Maximum Taxable Earnings. The maximum earnings on which Social Security taxes (6.2 percent) are withheld increased to \$76,200. There is no limit for Medicare (1.45 percent).

Quarter of Coverage. The amount of wages needed to earn a Social Security credit (a quarter of coverage) is now \$780.

Social Security Earnings Limit. If you are under full retirement age (currently age 65) when you begin receiving your Social Security benefit, \$1 in benefits will be deducted for each \$2 you earn above an annual limit of \$10,080.

In the year you reach full retirement age, \$1 in benefits will be deducted for each \$3 you earn above an annual limit of \$17,000.

Beginning with the month you reach full retirement age, you will no longer be subject to an earnings limit.

Cost-of-living Adjustment. The 2000 Social Security cost-of-living adjustment (COLA) is 2.4 percent.

Hospital Insurance Part A. The Part A deductible increased to \$776.

Supplemental Medicare Insurance Part B. The Part B deductible remains \$100. The monthly premium also remains \$45.50.

If you have any questions, call the Social Security Administration at 1-800-772-1213 or call the local office nearest you. You may access Social Security and Medicare information online at www.ssa.gov.

Age for full benefits begins to rise

The Social Security Administration is gradually raising the age for full retirement benefits. If you were born before 1938 you will be eligible for full Social Security benefits at age 65. For those born later, however, the eligible age will increase in gradual steps from 65 to 67.

When you will be eligible for full benefits depends on your year of birth, as indicated in the chart below. The age gradually increases to 66 for those born 1938-1943, levels off and remains at 66 for those born between 1943 and 1954, and then goes up again gradually, until reaching age 67 for those born in 1960 or later. No matter what your "full" retirement age is, you may still begin receiving Social Security benefits as early as age 62, but the bigger the gap between 62 and your full retirement age, the bigger the reduction in your Social Security benefits.

There are disadvantages and advantages to taking your benefit before your full retirement age. The disadvantage is that your benefit is permanently reduced. The advantage is that you collect benefits for a longer period of time. Each person's situation is different, so make sure you contact Social Security before you decide to retire. Though the age for full Social Security benefits will be increasing, **the age for Medicare eligibility will remain 65.**

If you have any questions, call the Social Security Administration at 1-800-772-1213 or call the local office nearest you. You may also access Social Security and Medicare information online at www.ssa.gov.

Your year of birth	Year you will reach age 62	Full retirement age (100% of benefits)	Percentage of benefits at age 62
1937 or earlier	1999 or earlier	65 yrs.	80.00%
1938	2000	65 yrs., 2 mos.	79.17%
1939	2001	65 yrs., 4 mos.	78.33%
1940	2002	65 yrs., 6 mos.	77.50%
1941	2003	65 yrs., 8 mos.	76.66%
1942	2004	65 yrs., 10 mos.	75.83%
1943 - 1954	2005 - 2016	66 yrs.	75.00%
1955	2017	66 yrs., 2 mos.	74.17%
1956	2018	66 yrs., 4 mos.	73.33%
1957	2019	66 yrs., 6 mos.	72.50%
1958	2020	66 yrs., 8 mos.	71.66%
1959	2021	66 yrs., 10 mos.	70.83%
1960 or later	2022 or later	67 yrs.	70.00%

Did you know ...

If all the dollars paid in monthly benefits last year to retirees and beneficiaries of the Retirement Systems were laid end-to-end along the equator, they would circle the globe more than three times?



Help us find them!



Retired members of the South Carolina Retirement Systems must be private detectives at heart! In two previous issues of *Systems Update*, we have listed 50 former state employees who were eligible for lifetime benefit payments but for whom we had no current addresses.

Thanks to you, we located 42 of them! That's why we know you are once again up to the challenge. Call us at 1-800-868-9002 (in S.C.) or 803-737-6800 if you can help us locate any of the individuals listed below. As before, we've also listed their last known employer.

Joanne E. Albert—Richland County School District #1

W. R. Allison—Town of Lyman

Martha A. Boling—Spartanburg County School District #5

Virginia Burton—Richland County School District #1

Elizabeth H. Carter—Pickens County School District

Albert P. Coggeshall—City of Darlington

Joanne Cohen—School District of Greenville County

Betty E. Darley—Lexington County School District #5

Butler F. Dargan—Georgetown County Department of Education

Nancy C. Davis—Richland County School District #1

Marvin W. Ellenburg—City Council of Pickens County

Miriam A. Elrod—Pickens County School District

Floride A. Findley—County Council for Pickens County

Ruth J. Gaskins—S.C. State Commission on Forestry

Investment Panel continues to develop equity portfolio

Retirement Systems Investment Panel members have been working diligently on their appointed task to make recommendations for investing Retirement Systems funds in equities. To date, approximately \$1.7 billion has been invested in equities, including the initial 5 percent investment in the Index fund during Fiscal Year 1998-1999.

Last fall, the Panel began selecting money managers to invest the retirement funds in equities. The strategies for the types of investments and diversification are determined according to the annual investment plan for Fiscal Year 1999-2000, which was approved by the Board last May. These investments will occur in increments throughout the remainder of this fiscal year.

William M. Mercer Investment Consulting, Inc., is the investment consultant. Part of the consultant's task in the money manager selection process is to sort through the more than 1,200 companies in its extensive database, select those qualified to make such investments based upon the guidelines set by the Investment Panel and the Board, and recommend the top candidates for the Panel to consider for interviews. The Panel selects finalists, then conducts interviews and selects managers to recommend to the Board for final appointment.

This winter, the Panel selected managers for the next allocation of funds targeted for investment. This block of funds will be invested during the 3rd and 4th quarters of the fiscal year and managers for the final allocations will be selected within the next two months.

By the end of this fiscal year, approximately \$2.8 billion of the retirement assets will have been invested in equity securities during the last two fiscal years. This represents about 15 percent of the total retirement portfolio. The remaining 85 percent will still be invested in fixed-income vehicles such as government and corporate bonds until an investment plan is implemented for Fiscal Year 2000-2001. 

Patricia C. Haskell-Robinson—City of Greenville

Henry E. Huggins—Greenville County Council

Janie H. Jackson—School District of Chester County

Robert Lucas—Charleston County School District

Barbara B. Poage—Lexington Medical Center


Paul Sanders, III—Medical University of South Carolina

Flora Bell Sloan—Spartanburg County Council

Beatrice G. Starnes—Dorchester County School District #4

George Trotter—City of Columbia

Joline H. Warr—Sumter County School District #2

Margaretta I. Woods—Richland County School District #1 



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Direct deposit Continued from page 1

and take advantage of this free service. Just complete the form below and return it to: Payroll Department, South Carolina Retirement Systems, PO Box 11960, Columbia SC 29211-1960.

Last Name		First/Middle Name		SSN
Phone (include area code)		Mailing Address		
City		State	Zip + 4	
Are you a (check one) <input type="checkbox"/> member? <input type="checkbox"/> beneficiary?	If beneficiary, include member's SSN		System (check one) <input type="checkbox"/> SCRS <input type="checkbox"/> PORS <input type="checkbox"/> GARS <input type="checkbox"/> JSRS	
I hereby authorize the SC Retirement Systems to initiate credit entries and adjusting entries (credit or debit) necessary to make corrections to my checking/savings account. I further authorize the financial institution below to credit or debit this account for the same reasons.				
Signature		Date		
Name of Financial Institution		Type of Account (check one) <input type="checkbox"/> checking <input type="checkbox"/> savings		
City		State		
Attach a voided check AND complete the information below (no deposit slips or starter checks, please).				
Account Transit/Routing Number		Account Number		

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